

# WINSTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2010

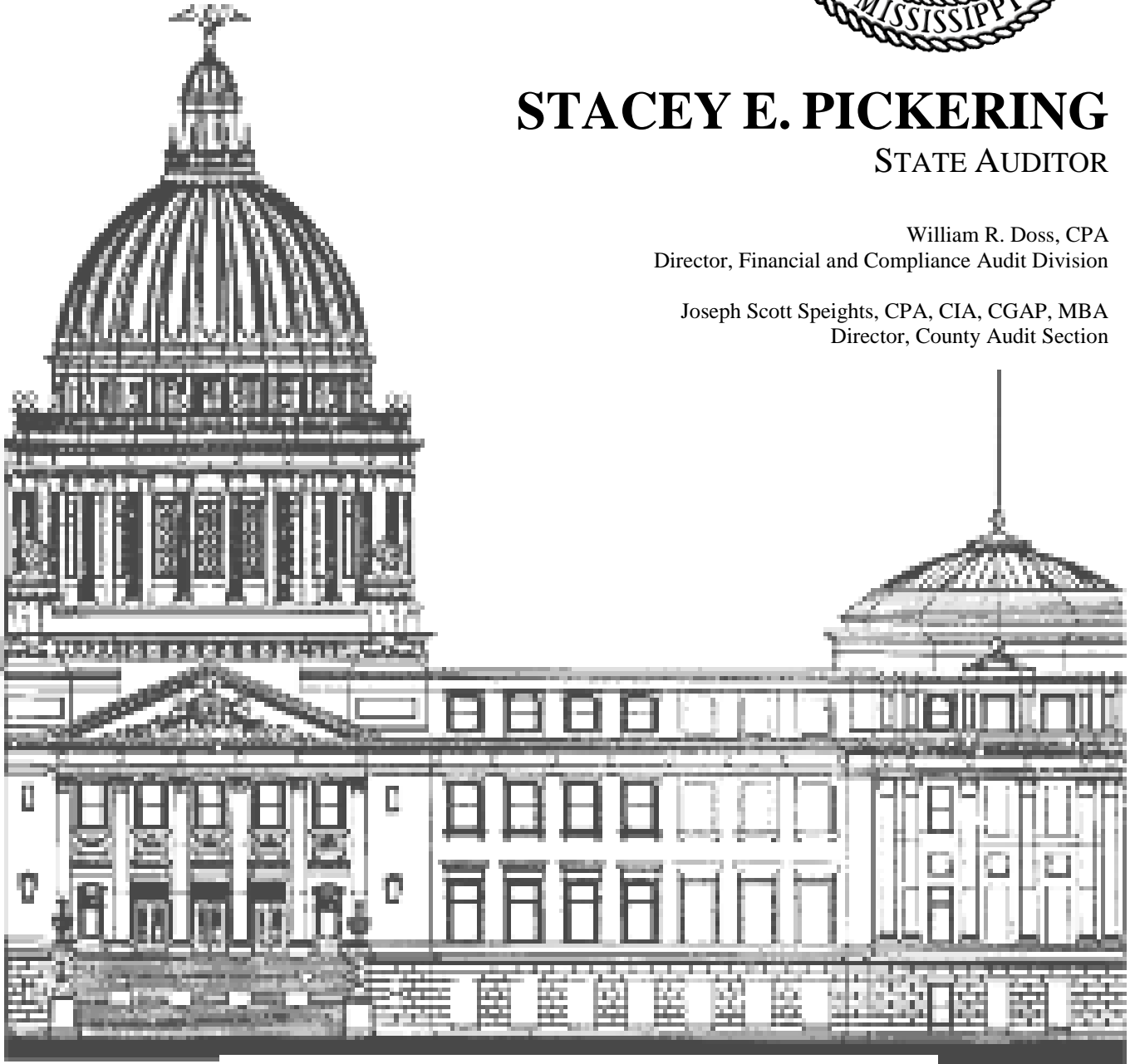


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

November 29, 2012

Members of the Board of Supervisors  
Winston County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Winston County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Winston County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Winston County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



WINSTON COUNTY

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WINSTON COUNTY

FINANCIAL SECTION

## WINSTON COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Winston County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

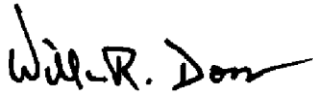
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of Winston County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Winston County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

November 29, 2012

WINSTON COUNTY

FINANCIAL STATEMENTS

## WINSTON COUNTY

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WINSTON COUNTY  
Statement of Net Assets  
September 30, 2010

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 10,358,222	584,164	10,942,386
Restricted assets - investments		2,347,370	2,347,370
Property tax receivable	3,518,598		3,518,598
Accounts receivable (net of allowance for uncollectibles of \$672,807)		113,890	113,890
Fines receivable (net of allowance for uncollectibles of \$1,285,587)	248,330		248,330
Loans receivable (net of allowance for uncollectibles of \$178,547)	0		0
Capital leases receivable	764,235		764,235
Intergovernmental receivables	188,295	257,154	445,449
Other receivables	104,618	25,240	129,858
Internal balances	106,380	(106,380)	
Deferred charges - bond issuance costs		122,048	122,048
Capital assets - held for resale	46,000		46,000
Capital assets:			
Land and construction in progress	1,429,262	54,000	1,483,262
Other capital assets, net	21,470,081	4,248,882	25,718,963
Total Assets	38,234,021	7,646,368	45,880,389
LIABILITIES			
Claims payable	376,143	176,507	552,650
Intergovernmental payables	150,432		150,432
Accrued interest payable	13,026	65,700	78,726
Deferred revenue	3,690,182		3,690,182
Unearned revenue	242,000		242,000
Amounts held in custody for others	34,183		34,183
Long-term liabilities			
Due within one year:			
Capital debt	228,632	385,854	614,486
Non-capital debt	156,867		156,867
Due in more than one year:			
Capital debt	433,624	2,964,222	3,397,846
Non-capital debt	653,361	20,513	673,874
Total Liabilities	5,978,450	3,612,796	9,591,246
NET ASSETS			
Invested in capital assets, net of related debt	22,237,087	952,806	23,189,893
Restricted:			
Expendable:			
General government	178,506		178,506
Debt service		383,178	383,178
Public safety	598,582	2,518,785	3,117,367
Public works	1,967,882	178,803	2,146,685
Conservation of natural resources	5,150		5,150
Economic development	707,546		707,546
Unemployment compensation	29,039		29,039
Unrestricted	6,531,779		6,531,779
Total Net Assets	\$ 32,255,571	4,033,572	36,289,143

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,262,695	545,594	12,332		(1,704,769)		(1,704,769)
Public safety	1,256,666	81,384	773,654		(401,628)		(401,628)
Public works	2,371,328	35,000	338,622	932,564	(1,065,142)		(1,065,142)
Health and welfare	130,020		25,718		(104,302)		(104,302)
Culture and recreation	264,139				(264,139)		(264,139)
Education	160,299				(160,299)		(160,299)
Conservation of natural resources	109,304				(109,304)		(109,304)
Economic development and assistance	121,946				(121,946)		(121,946)
Interest on long-term debt	61,944				(61,944)		(61,944)
Total Governmental Activities	<u>6,738,341</u>	<u>661,978</u>	<u>1,150,326</u>	<u>932,564</u>	<u>(3,993,473)</u>		<u>(3,993,473)</u>
Business-type activities:							
Correctional facility	3,063,024	2,985,908	25,500			(51,616)	(51,616)
Solid waste	<u>315,511</u>	<u>397,555</u>	<u>2,524</u>			<u>84,568</u>	<u>84,568</u>
Total Business-type Activities	<u>3,378,535</u>	<u>3,383,463</u>	<u>28,024</u>	<u>0</u>		<u>32,952</u>	<u>32,952</u>
Total Primary Government	<u>\$ 10,116,876</u>	<u>4,045,441</u>	<u>1,178,350</u>	<u>932,564</u>	<u>(3,993,473)</u>	<u>32,952</u>	<u>(3,960,521)</u>
General revenues:							
Property taxes					\$ 3,423,950		3,423,950
Road & bridge privilege taxes					213,604		213,604
Grants and contributions not restricted to specific programs					537,944		537,944
Unrestricted interest income					103,987	1,604	105,591
Miscellaneous					478,760		478,760
Capital contributions						1,764	1,764
Transfers					<u>2,524</u>	<u>(2,524)</u>	<u>0</u>
Total General Revenues, Capital Contributions and Transfers					<u>4,760,769</u>	<u>844</u>	<u>4,761,613</u>
Changes in Net Assets					<u>767,296</u>	<u>33,796</u>	<u>801,092</u>
Net Assets - Beginning, as previously reported					31,485,675	3,999,776	35,485,451
Prior period adjustments					<u>2,600</u>		<u>2,600</u>
Net Assets - Beginning, as restated					<u>31,488,275</u>	<u>3,999,776</u>	<u>35,488,051</u>
Net Assets - Ending					<u>\$ 32,255,571</u>	<u>4,033,572</u>	<u>36,289,143</u>

The notes to the financial statements are an integral part of this statement.



WINSTON COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2010

Exhibit 3

	Major Funds				
	General Fund	CAP Repayment Polo Fund	District 4 State Aid Road Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 6,748,205		21,257	3,588,760	10,358,222
Property tax receivable	2,572,087			946,511	3,518,598
Fines receivable (net of allowance for uncollectibles of \$1,285,587)	248,330				248,330
Loans receivable (net of allowance for uncollectibles of \$178,547)				0	0
Capital lease receivable		764,235			764,235
Intergovernmental receivables	110,358			77,937	188,295
Capital assets - held for resale				46,000	46,000
Other receivables	14,744			21,796	36,540
Due from other funds	191,308			46,045	237,353
Advances to other funds	103,846				103,846
Total Assets	\$ 9,988,878	764,235	21,257	4,727,049	15,501,419
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Claims payable	\$ 192,116		11,616	172,411	376,143
Intergovernmental payables	150,009			423	150,432
Due to other funds	49,127			62,439	111,566
Advances from other funds				55,175	55,175
Deferred revenue	2,820,417	764,235		946,511	4,531,163
Unearned revenue	242,000				242,000
Amounts held in custody for others	34,183				34,183
Total Liabilities	3,487,852	764,235	11,616	1,236,959	5,500,662
<b>Fund balances:</b>					
Reserved for:					
Advances	103,846				103,846
Unemployment compensation				29,039	29,039
Capital assets - held for resale				46,000	46,000
Unreserved - undesignated, reported in:					
General Fund	6,397,180				6,397,180
Special Revenue Funds			9,641	3,415,051	3,424,692
Total Fund Balances	6,501,026	0	9,641	3,490,090	10,000,757
Total Liabilities and Fund Balances	\$ 9,988,878	764,235	21,257	4,727,049	15,501,419

The notes to the financial statements are an integral part of this statement.

## WINSTON COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,000,757
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$31,491,391.	22,899,343
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	248,330
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,472,484)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(13,026)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>592,651</u>
Total Net Assets - Governmental Activities	\$ <u><u>32,255,571</u></u>

The notes to the financial statements are an integral part of this statement.

## WINSTON COUNTY

Exhibit 4

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2010

	Major Funds			Other	Total
	General	CAP	District 4	Governmental	Governmental
	Fund	Repayment	State Aid	Funds	Funds
		Polo Fund	Road Fund		
REVENUES					
Property taxes	\$ 2,586,514			837,436	3,423,950
Road and bridge privilege taxes				213,604	213,604
Licenses, commissions and other revenue	338,655			17,682	356,337
Fines and forfeitures	200,097			11,719	211,816
Intergovernmental revenues	710,981		626,636	1,283,217	2,620,834
Charges for services				212,732	212,732
Interest income	58,096	18,418		27,473	103,987
Miscellaneous revenues	148,788			329,972	478,760
Total Revenues	4,043,131	18,418	626,636	2,933,835	7,622,020
EXPENDITURES					
Current:					
General government	1,995,731			260,737	2,256,468
Public safety	859,647			373,649	1,233,296
Public works	7,750		616,995	2,490,816	3,115,561
Health and welfare	116,236				116,236
Culture and recreation	171,517			97,850	269,367
Education	160,299				160,299
Conservation of natural resources	108,432			3,100	111,532
Economic development and assistance	81,613			40,333	121,946
Debt service:					
Principal		24,841		230,607	255,448
Interest		18,418		48,859	67,277
Total Expenditures	3,501,225	43,259	616,995	3,545,951	7,707,430
Excess of Revenues over (under) Expenditures	541,906	(24,841)	9,641	(612,116)	(85,410)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				74,055	74,055
Transfers in				155,984	155,984
Transfers out	(153,460)				(153,460)
Lease principal payments		24,841			24,841
Total Other Financing Sources and Uses	(153,460)	24,841	0	230,039	101,420
Net Changes in Fund Balances	388,446	0	9,641	(382,077)	16,010
Fund Balances - Beginning, as previously reported	5,859,269			4,122,878	9,982,147
Prior period adjustments	253,311			(250,711)	2,600
Fund Balances - Beginning, as restated	6,112,580	0	0	3,872,167	9,984,747
Fund Balances - Ending	\$ 6,501,026	0	9,641	3,490,090	10,000,757

The notes to the financial statements are an integral part of this statement.

## WINSTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 16,010
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,274,144 exceeded depreciation of \$554,704 in the current period.	719,440
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$5,369 and the transfer of equipment to proprietary fund of \$ 1,764 in the current period.	(7,133)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(118,907)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$255,448 exceeded debt proceeds of \$74,055.	181,393
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences payable	(3,999)
Decrease in accrued interest payable	5,333
In the Statement of Activities, only interest income from payments received on capital leases is reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	<u>(24,841)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>767,296</u></u>

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY  
Statement of Net Assets - Proprietary Funds  
September 30, 2010

Exhibit 5

Business-type Activities - Enterprise Funds			
Major Funds			
	Correctional Facility Fund	Solid Waste Fund	Totals
ASSETS			
Current assets:			
Cash	\$ 457,947	126,217	584,164
Restricted assets - investments	2,347,370		2,347,370
Accounts receivable (net of allowance for uncollectibles of \$672,807)		113,890	113,890
Intergovernmental receivables	257,154		257,154
Other receivables	19,145		19,145
Due from other funds	6,095	9,665	15,760
Total Current Assets	3,087,711	249,772	3,337,483
Noncurrent assets:			
Deferred charges - bond issuance costs	122,048		122,048
Capital assets:			
Land and construction in progress	54,000		54,000
Other capital assets, net	4,121,724	127,158	4,248,882
Total Noncurrent Assets	4,297,772	127,158	4,424,930
Total Assets	7,385,483	376,930	7,762,413
LIABILITIES			
Current liabilities:			
Claims payable	157,171	19,336	176,507
Due to other funds	57,947	9,427	67,374
Advances from other funds	8,000	40,671	48,671
Accrued interest payable	65,700		65,700
Capital debt:			
Capital leases payable		30,984	30,984
Other long-term liabilities	354,870		354,870
Total Current Liabilities	643,688	100,418	744,106
Noncurrent liabilities:			
Capital debt:			
Other long-term liabilities	2,964,222		2,964,222
Non-capital debt:			
Compensated absences payable	18,978	1,535	20,513
Total Noncurrent Liabilities	2,983,200	1,535	2,984,735
Total Liabilities	3,626,888	101,953	3,728,841
NET ASSETS			
Invested in capital assets, net of related debt	856,632	96,174	952,806
Restricted for:			
Debt service	383,178		383,178
Public safety	2,518,785		2,518,785
Public works		178,803	178,803
Total Net Assets	\$ 3,758,595	274,977	4,033,572

The notes to the financial statements are an integral part of this statement.

## WINSTON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Fund	Totals
Operating Revenues			
Charges for services	\$ 2,819,990	397,555	3,217,545
Miscellaneous	165,918		165,918
Total Operating Revenues	2,985,908	397,555	3,383,463
Operating Expenses			
Personal services	1,646,610	166,590	1,813,200
Contractual services	426,952	66,228	493,180
Materials and supplies	652,550	57,531	710,081
Depreciation expense	134,999	17,060	152,059
Indirect administrative cost	57,947	5,925	63,872
Amortization of deferred charges	12,566		12,566
Total Operating Expenses	2,931,624	313,334	3,244,958
Operating Income (Loss)	54,284	84,221	138,505
Nonoperating Revenues (Expenses)			
Interest income	1,193	411	1,604
Intergovernmental grants	25,500	2,524	28,024
Interest expense	(131,400)	(2,177)	(133,577)
Net Nonoperating Revenue (Expenses)	(104,707)	758	(103,949)
Net Income (Loss) Before Capital Contributions, and Transfers	(50,423)	84,979	34,556
Capital contributions	1,764		1,764
Transfers out		(2,524)	(2,524)
Changes in Net Assets	(48,659)	82,455	33,796
Net Assets - Beginning	3,807,254	192,522	3,999,776
Net Assets - Ending	\$ 3,758,595	274,977	4,033,572

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2010

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Major Funds		Totals
	Correctional Facility Fund	Solid Waste Fund	
Cash Flows From Operating Activities			
Receipts from customers	\$ 2,992,719	397,995	3,390,714
Payments to suppliers	(1,078,121)	(117,932)	(1,196,053)
Payments to employees	(1,645,525)	(165,939)	(1,811,464)
Net Cash Provided (Used) by Operating Activities	269,073	114,124	383,197
Cash Flows From Noncapital Financing Activities			
Intergovernmental grants received	25,500	2,524	28,024
Cash received from other funds:			
Interfund loan repayments		13,781	13,781
Cash paid to other funds:			
Operating transfers out		(2,524)	(2,524)
Interfund loan repayments	(639,509)	(9,665)	(649,174)
Net Cash Provided (Used) by Noncapital Financing Activities	(614,009)	4,116	(609,893)
Cash Flows From Capital and Related Financing Activities			
Principal paid on long-term debt	(335,000)	(39,850)	(374,850)
Interest paid on debt	(138,100)	(2,177)	(140,277)
Acquisition and construction of capital assets	(30,300)		(30,300)
Net Cash Provided (Used) by Capital and Related Financing Activities	(503,400)	(42,027)	(545,427)
Cash Flows From Investing Activities			
Interest on investments	1,193	411	1,604
Net Cash Provided (Used) by Investing Activities	1,193	411	1,604
Net Increase (Decrease) in Cash and Cash Equivalents	(847,143)	76,624	(770,519)
Cash and Cash Equivalents at Beginning of Year	3,652,460	49,593	3,702,053
Cash and Cash Equivalents at End of Year	\$ 2,805,317	126,217	2,931,534
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 54,284	84,221	138,505
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	134,999	17,060	152,059
Amortization expense	12,566		12,566
Provision for uncollectible accounts		5,537	5,537
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(5,097)	(5,097)
(Increase) decrease in intergovernmental receivables	11,060		11,060
(Increase) decrease in other receivables	(4,249)		(4,249)
Increase (decrease) in claims payable	1,381	2,325	3,706
Increase (decrease) in compensated absences liability	1,085	651	1,736
Increase (decrease) in interfund payables	57,947	9,427	67,374
Total Adjustments	214,789	29,903	244,692
Net Cash Provided (Used) by Operating Activities	\$ 269,073	114,124	383,197

The notes to the financial statements are an integral part of this statement.

WINSTON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2010

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	159,829
Total Assets	\$	159,829
LIABILITIES		
Intergovernmental payables	\$	85,656
Due to other funds		74,173
Total Liabilities	\$	159,829

The notes to the financial statements are an integral part of this statement.



## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Winston County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Winston County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

CAP Repayment Polo Fund - This fund is used to account for all activities related to the capital lease of the Polo building.

District 4 State Aid Road Fund - This fund is used to account for state aid road projects in district four roads.

The county reports the following major Proprietary Funds:

Correctional Facility Fund - This fund is used to account for all activities related to the operation of the correctional facility.

## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

#### E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

#### F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### H. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain resources and revenues associated with the county's enterprise fund revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue" fund is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of trust agreement. The "depreciation and operating reserve" fund is used to pay the costs of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "excess revenue" fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations. The "insurance payment" fund is used to pay the annual insurance premium for insurance for the correctional facility. The "debt service reserve" fund is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. The "general" fund is used to pay the principal and interest payments due to the county's enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

#### I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Winston County meets this criteria but has elected to report all infrastructure assets on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\*Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

### K. Equity Classifications.

#### Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

#### Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

### L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year. The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

### M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

### N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

### (2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

#### Exhibit 2 - Statement of Activities.

#### Governmental Activities

Explanation		Amount
To record capital assets held for resale omitted in prior year	\$	46,000
To remove restricted assets reported in error in prior year		(43,400)
Total prior period adjustments	\$	2,600

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	General Fund	Other Governmental Funds	Total
To record capital assets held for resale omitted in prior year	\$	46,000	46,000
To remove restricted assets reported in prior year in error		(43,400)	(43,400)
To move fund to General Fund	253,311		253,311
To move fund from Other Governmental Funds		(253,311)	(253,311)
Total prior period adjustments	\$ 253,311	(250,711)	2,600

### (3) Deposits and Investments.

#### Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$11,102,215, and the bank balance was \$11,240,394. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

#### Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Winston-Choctaw County Regional Correctional Facility.

Investment balances at September 30, 2010, are as follows:

#### **Business-type Activities:**

Investment Type	Maturities	Fair Value	Rating
Hancock Horizon Treasury Securities	Less than one		
Money Market Mutual Fund	year	\$ 2,347,370	AAAm
Total		\$ 2,347,370	

**Interest Rate Risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Correctional Facility	\$ 57,947
General	Solid Waste	5,925
General	Agency Funds	68,078
General	Other Governmental Funds	59,358
Other Governmental Funds	General	6,377
Other Governmental Funds	Solid Waste	3,502
Other Governmental Funds	General	33,085
Other Governmental Funds	Other Governmental Funds	3,081
Correctional Facility	Agency Funds	6,095
Solid Waste	General	9,665
Total		\$ 253,113

The amount due to the General Fund from the Correctional Facility Fund and Solid Waste Fund represents indirect administrative costs. The amount due to General Fund and Correctional Facility Fund from the Agency Funds is due to posting errors and over payments. The amount payable to the Solid Waste Fund and Other Governmental Funds from the General Fund represents ad valorem taxes collected by the Tax Collector in September 2010, but not remitted to the county until October 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

#### B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Correctional Facility	\$ 8,000
General	Solid Waste	40,671
General	Other Governmental Funds	55,175
Total		\$ 103,846

The amount due to the General Fund from the Correctional Facility Fund and Solid Waste Fund represents indirect administrative cost incurred in previous fiscal years that have never been paid to the General Fund. The amount due to the General Fund from the Other Governmental Funds represents expenses paid for these various funds in prior fiscal years out of the General Fund that were not repaid. None of the advances are expected to be paid within one year.

#### C. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 153,460
Other Governmental Funds	Solid Waste Fund	2,524
Total		\$ 155,984



# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

The principal purpose of interfund transfers was to provide funds for volunteer fire expenditures and to pay solar energy panel expenditures. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

### (5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
Legislative tax credit due tax collector	\$ 59,526
Motor vehicle fuel payments due from state	21,638
Department of Health and Human Services reimbursement	3,430
Overweight fines and harvest permits due from state	1,962
Civil defense reimbursement	23,224
Motor vehicle license payments due from state	5,014
State of Mississippi – wireless communication grant	19,546
State aid reimbursement	52,775
Other	1,180
Total Governmental Activities	\$ 188,295
<b>Business-type Activities:</b>	
MDOC payments for housing prisoners	\$ 232,596
Other local government payments for housing prisoners	24,558
Total Business-type Activities	\$ 257,154

### (6) Loan Receivable.

Loan receivable balance at September 30, 2010, is as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Southern Products CDBG Loan	09/1998	6.25%	04/2016	\$ 178,547
Less allowance for uncollectible loan				(178,547)
Total				\$ 0

### (7) Restricted Assets.

The balances of the restricted assets account in the Correctional Facility Fund are as follows:

Excess revenue	\$ 941,336
Revenue	55,524
Debt service revenue	383,178
Insurance payment	51,435
Depreciation and operating reserve	500,118
General	415,779
Total restricted assets	\$ 2,347,370

WINSTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

**Governmental activities:**

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 658,664				658,664
Construction in progress	618,406	932,564		(780,372)	770,598
Total non-depreciable capital assets	1,277,070	932,564		(780,372)	1,429,262
<u>Depreciable capital assets:</u>					
Infrastructure	41,303,664			780,372	42,084,036
Buildings	4,241,882				4,241,882
Improvements other than buildings	265,916				265,916
Mobile equipment	5,336,044	189,026		59,960	5,585,030
Furniture and equipment	401,054	71,774	7,228		465,600
Leased property under capital leases	315,827	80,780		(77,599)	319,008
Total depreciable capital assets	51,864,387	341,580	7,228	762,733	52,961,472
<u>Less accumulated depreciation for:</u>					
Infrastructure	23,091,074	301,773			23,392,847
Buildings	3,004,411	21,080			3,025,491
Improvements other than buildings	53,184	10,636			63,820
Mobile equipment	4,393,248	171,040		12,061	4,576,349
Furniture and equipment	356,734	24,093	1,859		378,968
Leased property under capital leases	55,770	26,082		(27,936)	53,916
Total accumulated depreciation	30,954,421	554,704	1,859	(15,875)	31,491,391
Total depreciable capital assets, net	20,909,966	(213,124)	5,369	778,608	21,470,081
Governmental activities capital assets, net	\$ 22,187,036	719,440	5,369	(1,764)	22,899,343

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### Business-type activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<b>Non-depreciable capital assets:</b>					
Land	\$ 54,000				54,000
Total non-depreciable capital assets	54,000	0	0	0	54,000
<b>Depreciable capital assets:</b>					
Buildings	5,229,560				5,229,560
Mobile equipment	356,471	24,400		17,639	398,510
Furniture and equipment	169,772	5,900			175,672
Leased property under capital leases	189,562				189,562
Total depreciable capital assets	5,945,365	30,300	0	17,639	5,993,304
<b>Less accumulated depreciation for:</b>					
Buildings	1,129,954	104,591			1,234,545
Mobile equipment	288,634	12,441		15,875	316,950
Furniture and equipment	89,658	17,967			107,625
Leased property under capital leases	68,242	17,060			85,302
Total accumulated depreciation	1,576,488	152,059	0	15,875	1,744,422
Total depreciable capital assets, net	4,368,877	(121,759)	0	1,764	4,248,882
Business-type activities capital assets, net	\$ 4,422,877	(121,759)	0	1,764	4,302,882

\*Adjustments represent reclassifications from construction in progress to infrastructure and reclassifications of leased property under capital lease to mobile equipment along with related accumulated depreciation. The adjustment of \$1,764 represents a transfer of a vehicle from governmental activities to the correctional facility.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 22,263
Public safety	63,044
Public works	454,069
Health and welfare	13,784
Culture and recreation	772
Conservation of natural resources	772
Total governmental activities depreciation expense	\$ 554,704
<b>Business-type activities:</b>	
Solid waste	\$ 17,060
Correctional facility	134,999
Total business-type activities depreciation expense	\$ 152,059

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Alampa Circle Bridge Plattsburg Mt. Calvary - Rural Hill		
Project #BR-0561(9)B	\$ 427,787	November 2011
Loakfoma Road Project #STP-0678(5)B	808,782	November 2011
Project #EFLH 0677(27)B	287,085	June 2011

### (9) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (10) Operating Leases.

#### As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$325,000 for the year ended September 30, 2010. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2011	\$ 325,000
2012	345,833
2013	350,000
2014	350,000
2015	350,000
2016 – 2020	1,845,833
2021 – 2025	437,500
Total Minimum Payments Required	\$ 4,004,166

### (11) Capital Leases.

#### As Lessor:

The county leases the following property with varying terms and options as of September 30, 2010:

Classes of Property	Amount
Buildings	\$ 438,500
Land	130,000
Total	\$ 568,500

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2010, are as follows:

Year Ended September 30	Principal	Interest
2011	\$ 25,832	17,426
2012	26,618	16,640
2013	27,428	15,831
2014	28,262	14,996
2015	29,121	14,137
2016 – 2020	159,445	56,848
2021 – 2025	185,214	31,079
2026 – 2030	110,731	4,627
Total	<u>\$ 592,651</u>	<u>171,584</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 319,008	189,562
Less: Accumulated depreciation	<u>53,916</u>	<u>85,302</u>
Leased Property Under Capital Leases	<u>\$ 265,092</u>	<u>104,260</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 47,642	6,210	30,984	535
2012	49,325	4,528		
2013	51,068	2,785		
2014	37,188	1,220		
2015	<u>4,313</u>	<u>24</u>		
Total	<u>\$ 189,536</u>	<u>14,767</u>	<u>30,984</u>	<u>535</u>

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (12) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Spartus buyback payoff	\$ 325,000	8.00%	05/2012
Total General Obligation Bonds	\$ 325,000		
B. Capital Leases:			
District 2 – 2009 International 7400 dump truck	\$ 44,031	3.34%	09/2013
Pierce Contender fire truck	81,463	3.80%	12/2013
6,000 Gallon duratank	40,164	3.26%	01/2015
Kubota tractor	23,878	3.26%	11/2014
Total Capital Leases	\$ 189,536		
C. Other Loans:			
CAP loan for Polo Industries	\$ 592,651	3.00%	05/2028
Southern Products CDBG loan	178,547	6.25%	03/2014
CAP loan for fire trucks	147,720	2.00%	10/2015
Total Other Loans	\$ 918,918		
<b>Business-type Activities:</b>			
A. Limited Obligation Bonds:			
2008 correctional facility refunding bonds*	\$ 3,285,000	4.00%	10/2018
Total Limited Obligation Bonds	\$ 3,285,000		
B. Capital Leases:			
Two 2006 International/Pac Mac garbage trucks	\$ 30,984	4.13%	06/2011
Total Capital Leases	\$ 30,984		

**\*Pledge of Future Revenues** - The county has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$3,815,000 in limited obligation urban renewal revenue bonds issued in April 2008. Proceeds from the bonds were used to refund bonds that provided financing for the construction of the Winston-Choctaw County Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through October 2018. The total principal and interest remaining to be paid on the bonds is \$3,839,700. Principal and interest paid for the current year and total inmate housing net revenues were \$473,100 and \$269,073, respectively.

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 155,000	26,000	182,857	94,666
2012	170,000	13,600	73,640	21,267
2013			76,199	18,709
2014			68,444	16,174
2015			59,808	14,522
2016 – 2020			162,026	56,852
2021 – 2025			185,214	31,079
2026 – 2030			110,730	4,626
Total	\$ 325,000	39,600	918,918	257,895

### Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2011	\$ 350,000	124,400
2012	365,000	110,100
2013	385,000	95,100
2014	405,000	79,300
2015	420,000	62,800
2016 – 2020	1,360,000	83,000
Total	\$ 3,285,000	554,700

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 1.03% of the latest property assessments.

# WINSTON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments*	Balance Sept. 30, 2010	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 35,031			3,999	39,030	
General obligation bonds	470,000		145,000		325,000	155,000
Capital leases	173,273	74,055	57,792		189,536	47,642
Other loans	971,574		52,656		918,918	182,857
<b>Total</b>	<b>\$ 1,649,878</b>	<b>74,055</b>	<b>255,448</b>	<b>3,999</b>	<b>1,472,484</b>	<b>385,499</b>
<b>Business-type Activities:</b>						
Limited obligation bonds	\$ 3,620,000		335,000		3,285,000	350,000
Add:						
Premiums	38,962		4,870		34,092	4,870
Net limited obligation bonds	3,658,962	0	339,870	0	3,319,092	354,870
Capital leases	70,834		39,850		30,984	30,984
Compensated absences	18,777			1,736	20,513	
<b>Total</b>	<b>\$ 3,748,573</b>	<b>0</b>	<b>379,720</b>	<b>1,736</b>	<b>3,370,589</b>	<b>385,854</b>

\*Adjustments are reported to reflect changes in compensated absences liability.

Compensated absences will be paid from the funds from which the employees' salaries were paid which are generally the General Fund, Reappraisal Fund, Road Maintenance Funds, Solid Waste Fund and Correctional Facility Fund.

### (13) Contingencies.

**Federal Grants** - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

**Litigation** - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

### (14) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2010
Louisville/Winston County Airport Improvement Note	\$ 3,194



## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### (15) Joint Ventures.

The county participates in the following joint ventures:

Winston County is a participant with the City of Louisville in a joint venture, authorized by Section 65-3-5, Miss. Code Ann. (1972), to operate the Louisville/Winston County Airport Authority. The joint venture was created to improve economic development and is governed by a five-member board of commissioners appointed as follows: Winston County, two; City of Louisville, two; jointly, one. By contractual agreement, the county's appropriation to the joint venture was \$7,750 in fiscal year 2010. Complete financial statements can be obtained from the Louisville/Winston County Airport Authority at P. O. Box 1022, Louisville, MS 39339.

Winston County is a participant with the City of Louisville, Louisville Chamber of Commerce and the Town of Noxapater in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Winston County Economic Development District. The joint venture was created to foster, encourage and facilitate economic development in the county and is governed by a seven member board of trustees appointed as follows: Winston County Board of Supervisors, two; City of Louisville, two; Louisville Chamber of Commerce, one; Town of Noxapater, one; jointly, one. By contractual agreement, the county's appropriation to the joint venture was \$70,875 in fiscal year 2010. Complete financial statements can be obtained from the Winston County Economic Development District at P. O. Box 551, Louisville, MS 39339.

Mid-Mississippi Regional Library System was organized under a contract between the counties of Attala, Holmes, Leake, Montgomery and Winston. The joint venture was created to provide free library service to the citizens for the member counties. The Winston County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$143,333 in the fiscal year 2010. Complete financial statements can be obtained from the library at Winston County Library, 301 Park Street, Louisville, MS 39339.

#### (16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott, and Winston. The Winston County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$296,652 for the maintenance and support of the college in fiscal year 2010.

Golden Triangle Planning and Development District provides services for the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$10,738 for support of the district in fiscal year 2010.

Community Counseling Services operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$19,500 for support of the agency in fiscal year 2010.

Prairie Opportunity, Inc., operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. The other 14 board members are not appointed by the county Board of Supervisors. The counties generally provide no financial support to the organization.

Mississippi Regional Housing Authority IV operates in a district composed of the counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

## WINSTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

(17) Defined Benefit Pension Plan.

Plan Description. Winston County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$374,041, \$373,394, and \$355,762, respectively, equal to the required contributions for each year.

(18) Subsequent Events.

Subsequent To September 30, 2010, the county issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
09/17/2012	2.11%	\$ 124,638	Capital lease	Ad valorem taxes

## WINSTON COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

WINSTON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,575,187	2,590,059	2,590,059	
Licenses, commissions and other revenue	281,500	332,963	332,963	
Fines and forfeitures	206,000	196,790	196,790	
Intergovernmental revenues	804,200	688,083	688,083	
Interest income	127,000	56,129	56,129	
Miscellaneous revenues	36,000	371,779	371,779	
Total Revenues	<u>4,029,887</u>	<u>4,235,803</u>	<u>4,235,803</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,243,352	2,048,664	2,048,664	
Public safety	944,630	871,284	871,284	
Public works	7,750	7,750	7,750	
Health and welfare	112,800	111,380	111,380	
Culture and recreation	171,000	168,607	168,607	
Education	225,000	162,504	162,504	
Conservation of natural resources	115,260	109,023	109,023	
Economic development and assistance	90,875	81,613	81,613	
Total Expenditures	<u>3,910,667</u>	<u>3,560,825</u>	<u>3,560,825</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>119,220</u>	<u>674,978</u>	<u>674,978</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	20,000	395,487	395,487	
Other financing uses	(135,000)	(50,460)	(50,460)	
Total Other Financing Sources and Uses	<u>(115,000)</u>	<u>345,027</u>	<u>345,027</u>	<u>0</u>
Net Change in Fund Balance	4,220	1,020,005	1,020,005	0
Fund Balances - Beginning	<u>6,112,580</u>	<u>6,112,580</u>	<u>6,112,580</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 6,116,800</u>	<u>7,132,585</u>	<u>7,132,585</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

WINSTON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 CAP Repayment Polo Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$		18,418	18,418
Total Revenues			18,418	18,418
EXPENDITURES				
Current:				
Debt service:				
Principal			24,841	(24,841)
Interest			18,418	(18,418)
Total Expenditures			43,259	(43,259)
Excess of Revenues over (under) Expenditures			(24,841)	(24,841)
OTHER FINANCING SOURCES (USES)				
Other financing sources			24,841	24,841
Total Other Financing Sources and Uses			24,841	24,841
Net Change in Fund Balance				
Fund Balances - Beginning				
Fund Balances - Ending	\$ 0	0	0	0

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

WINSTON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 District 4 State Aid Road Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 35,000	35,030	35,030	
Total Revenues	<u>35,000</u>	<u>35,030</u>	<u>35,030</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	35,000	13,773	13,773	
Total Expenditures	<u>35,000</u>	<u>13,773</u>	<u>13,773</u>	<u>0</u>
Excess of Revenues over (under) Expenditures		<u>21,257</u>	<u>21,257</u>	<u>0</u>
Net Change in Fund Balance		21,257	21,257	0
Fund Balances - Beginning				<u>0</u>
Fund Balances - Ending	\$ <u>0</u>	<u>21,257</u>	<u>21,257</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

# WINSTON COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2010

### A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	CAP Repayment Polo Fund	District 4 State Aid Road Fund
Budget (Cash Basis)	\$ 1,020,005	0	21,257
Increase (Decrease)			
Net adjustments for revenue accruals	(588,159)		591,606
Net adjustments for expenditure accruals	(43,400)		(603,222)
GAAP Basis	\$ 388,446	0	9,641

WINSTON COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2010

D. Unbudgeted Fund.

The following fund was not budgeted for the year ended September 30, 2010:

Special Revenue Fund:  
CAP Repayment Polo Fund:

The unbudgeted fund is in violation of state law. However, the county has no liability associated with the violation.



## WINSTON COUNTY

## SPECIAL REPORTS

## WINSTON COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Winston County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winston County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 10-1, 10-2, 10-3 and 10-4 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winston County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Winston County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 29, 2012, included within this document.

Winston County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Winston County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

November 29, 2012



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Winston County, Mississippi

We have examined Winston County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Winston County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

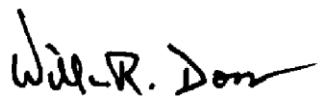
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Winston County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Winston County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Winston County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

November 29, 2012

WINSTON COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2010

Our test results did not identify any purchases from other than the lowest bidder.

WINSTON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.



WINSTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2010

Our test results did not identify any purchases made noncompetitively from a sole source.

## WINSTON COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Winston County, Mississippi

In planning and performing our audit of the financial statements of Winston County, Mississippi for the year ended September 30, 2010, we considered Winston County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Winston County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated November 29, 2012, on the financial statements of Winston County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. County's annual budget should be published by deadline.

Finding

Section 19-11-7, Miss. Code Ann. (1972), requires the Board of Supervisors to publish the county's annual budget at least once during August or September, but not later than September 30 of the year in a newspaper published in the county. The county's annual budget for fiscal year 2010 was not published by September 30, 2009. It was published October 14, 2009.

Recommendation

The Board of Supervisors should publish the annual budget by September 30 of each year as required by law.

#### Board of Supervisors' Response

Upon receipt of the annual budget from the comptroller's office, the Board will publish the same in the Winston County Journal on or before September 30th of each year.

2. A budget should be prepared for all funds.

#### Finding

Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency funds. A budget was not prepared for the CAP Repayment POLO Fund. Failure to prepare a budget for all funds is a violation of state law.

#### Recommendation

The Board of Supervisors should prepare a budget for all funds, except Trust and Agency Funds.

#### Board of Supervisors' Response

The Board of Supervisors will prepare a budget for all funds except Trust and Agency funds.

3. Claim numbers should be included on warrants and supporting invoices.

#### Finding

Section 19-13-29, Miss. Code Ann. (1972), requires when issuing any warrant under order of the board of supervisors to pay any one of said claims so numbered and kept, said clerk shall, "enter the number of the claim and designate the fund against which allowed in the body of the warrant so that the claim may be easily found and identified, and so that possible duplication may be avoided." Claim numbers are not being written or included on the claim invoice with the purchasing documentation. Failure to include the claim numbers on the claim invoices when warrants are issued to pay claims could result in duplication of claim numbers.

#### Recommendation

The Board of Supervisors should ensure that claim numbers are written or included on the claim invoice when warrants are issued for payment of claims.

#### Board of Supervisors' Response

The clerk in accounts payable will ensure that claim numbers are written on the claim invoice when warrants are issued for payments of claims.

4. Claim numbers for approved claims should be recorded in board minutes.

#### Finding

Section 19-13-31, Miss. Code Ann. (1972), requires that, "the board enter an order on its minutes approving the demands and accounts allowed, but it shall only be necessary to refer to such demands and accounts by the numbers as they appear on the claims docket." The Board of Supervisors failed to list the claims approved for payment in the board minutes. Failure to record claim numbers could allow claims not approved by the board to be added to the claims docket and paid without board approval.

#### Recommendation

The Board of Supervisors should ensure that the approved claim numbers are spread on the board minutes.

#### Board of Supervisors' Response

The Board of Supervisors will in its motion add a beginning claim number and an ending number. The same will be spread upon the minutes.

Chancery Clerk.

5. Effective internal controls should be implemented for Chancery Clerk's fees.

Finding

An effective system of internal control over accounting for fee income and expenses should include properly maintaining a fee journal, making timely deposits, reconciling the bank statement to the fee journal, and properly numbering fee journal receipts. As reported in the prior year's audit report, the fee journal included some recording errors, the bank statement was not reconciled to the fee journal, some deposits were made up to 5 days later (not including weekends) and receipts were not numbered. Failure to reconcile the bank statement to the fee journal, make timely deposits, correctly post transactions in the fee journal and adequately number receipts could result in the loss of public funds.

Recommendation

The Chancery Clerk should ensure that the fee journal is properly posted, deposits are made daily, the bank statement is reconciled to the fee journal, and that the fee journal receipts are properly numbered.

Chancery Clerk's Response

The Chancery Clerk will ensure that the fee journal is properly posted, deposits are made daily, the bank statements are reconciled to the fee journal, and receipts are properly numbered.

Payroll Clerk.

6. Required documentation should be filed with PERS when hiring PERS service retirees.

Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), counties hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgement of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree. It also states that the service retiree will earn no more than one-half (1/2) of the full-time authorized salary for the position at the time of employment.

During our testing of internal controls related to payroll expenditures, we noted that the county employed two PERS service retirees. As reported in the prior year's audit report, neither of the form 4B's for these service retirees were signed within five days of being hired. The service retiree's form 4B's were not filled out in entirety, so a determination of whether or not they earned more than was allowed could not be made.

Lack of internal controls related to the payroll cycle resulted in the payroll clerk not correctly filing all of the necessary forms required for PERS service retirees.

The Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the county for not filing PERS Form 4B within five days of re-employment of the service retiree.

Recommendation

We recommend the county implement procedures to ensure that the county correctly files PERS Form 4B "Certification/Acknowledgement of Re-employment of Retiree" for all retirees rehired by the county within five days of the employment.

Payroll Clerk's Response

The clerk will implement procedures to ensure that the county correctly files PERS Form 4B "Certification/Acknowledgement of Re-employment of Retiree" for all retirees rehired by the County within five days of employment.

Assistant Receiving Clerk.

7. Assistant Receiving Clerk should be bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. The Assistant Receiving Clerk for the Winston Choctaw County Regional Correctional Facility was not bonded during fiscal year ended September 30, 2010. The failure to bond the Assistant Receiving Clerk could result in loss of public funds.

Recommendation

The Assistant Receiving Clerk should execute a current bond for the amount required by law.

Assistant Receiving Clerk's Response

The Assistant Receiving Clerk will execute a bond in the amount of \$50,000 which is the amount required by law.

Sheriff.

8. Effective internal controls should be implemented over deposits in the Sheriff's office.

Finding

An effective system of internal control over the collection of cash should include making deposits on a timely basis. As reported in the prior year's audit report, the employees of the Sheriff's office were not making timely deposits. During test work performed on six sheriff receipts totaling \$170, we noted that two receipts totaling \$60 were not deposited within five working days. The Sheriff's office did not have policies and procedures in place to ensure that deposits were made in a timely manner. Failure to make timely deposits could result in the loss of public funds.

Recommendation

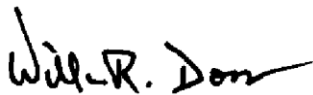
The Sheriff should ensure that all funds received are deposited in a timely manner.

Sheriff's Response

We will start making deposits at the least on a weekly basis.

Winston County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

November 29, 2012

## WINSTON COUNTY

### SCHEDULE OF FINDINGS AND RESPONSES

## WINSTON COUNTY

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## WINSTON COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2010

#### Section 1: Summary of Auditor's Results

##### ***Financial Statements:***

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified   |
| 2. | Internal control over financial reporting:                   |               |
| a. | Material weaknesses identified?                              | Yes           |
| b. | Significant deficiencies identified?                         | None Reported |
| 3. | Noncompliance material to the financial statements noted?    | No            |

#### Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 10-1. An adequate system of internal control over payroll procedures should be implemented.

##### Finding

An effective system of internal control over the county payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. As reported in the prior three years' audit reports, inadequate controls exist in the payroll function. The employment and salaries of county employees are not filed in the individual personnel files. This is due to a lack of segregation of duties and management oversight. Without proper controls, unauthorized or inaccurate payroll checks could be processed.

##### Recommendation

The Board of Supervisors should implement an adequate system of internal control over the county payroll function. An adequate system should include the following control features:

- a. Responsibilities for the supervision and time-keeping function should be separate from personnel, payroll processing, disbursement and general ledger functions.
- b. Documentation for all payroll and employment status changes should be kept in each individual personnel file.

##### Board of Supervisors' Response

The Board will install an adequate system of internal control over the county payroll function, which will include the control features listed above.

## WINSTON COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2010

#### Material Weakness

##### 10-2. Effective internal control policies should be implemented over bookkeeping functions.

###### Finding

An effective system of internal control over accounting functions should include an adequate segregation of duties in the collection, deposit preparation, disbursement, general journal, recording and reconciling functions. Collection, deposit preparation, disbursement, general journal, recording and reconciling functions are not adequately segregated to assure adequate internal control. The comptroller can receipt funds, prepare deposits, post the receipts to the general ledger, record general journal entries and prepare the bank reconciliations. In addition both accounts payable clerk and comptroller can print checks with the Chancery Clerk's signature and there is no oversight by the Board of Supervisors or the Chancery Clerk before checks are sent or delivered. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

###### Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the collection, deposit preparation, disbursement, general journal, recording and reconciling functions.

###### Board of Supervisors' Response

The Board of Supervisors will implement effective internal control policies that will allow proper segregation of duties for collection, deposit, preparation, disbursement, general journal, recording, and reconciling functions. The Board or the Clerk will compare checks and invoices before submitting them for payment.

#### Material Weakness

##### 10-3. Effective internal control policies should be implemented over capital assets held for resale.

###### Finding

An effective system of internal control over capital assets held for resale should ensure that all capital assets held for resale are reported in the county's financial accounting records. A building purchased by the county at foreclosure in prior years for \$46,000 was not properly accounted for in the county's financial accounting records. Failure to properly account for capital assets held for resale could result in the loss or misappropriation of public funds or a possible misstatement to the financial statements. An adjustment to correct this error was proposed by the auditor and made to the financial statements with management's approval.

###### Recommendation

The Board of Supervisors should ensure that all capital assets held for resale are accounted for in the county's financial records in the future.

###### Board of Supervisors' Response

The Board of Supervisors will ensure that all capital assets held for resale are accounted for in the county's financial records in the future.

WINSTON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2010

Justice Court Clerk.

Material Weakness

- 10-4. An effective system of internal control should be implemented in the Justice Court Office.

Finding

An effective system of internal control in Justice Court should include an adequate separation of duties over accounting for the collection, recording, and disbursement functions. As reported in the prior year's audit report, the Justice Court Clerk receipts funds, prepares deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds relative to the civil cases. Failure to have an adequate separation of duties could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should separate the civil case duties within the office.

Justice Court Clerk's Response

We will put in place the following:

- a. Deputy clerks will receipt funds and all money will be turned over to the clerk at the end of the day to prepare deposits.
- b. The clerk will not receipt money unless along in the office. In the event this happens, a deputy clerk will prepare the deposit.

We will begin this immediately.

## WINSTON COUNTY

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